

Message Text

CONFIDENTIAL

PAGE 01 STATE 049678

11

ORIGIN ARA-20

INFO OCT-01 ISO-00 SAB-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 COME-00 DOTE-00 EB-11 FMC-04 CG-00

COA-02 DLOS-06 /119 R

DRAFTED BY ARA-LA/PAN - MESSRS. MORRIS AND HOWARD:GFH

APPROVED BY ARA - AMBASSADOR WILLIAM G. BOWDLER

ARA-LA/PAN: SMOREYBELL

----- 077119

R 122240Z MAR 74

FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

USCINCSO

C O N F I D E N T I A L STATE 049678

E.O. 11652:GDS

TAGS: PFOR, PN

SUBJ: RECENT DEVELOPMENTS ON PROPOSED PANAMA CANAL

TOLL INCREASE

REF: STATE 6173

1. THIS IS A FOLLOW-UP TO REFTEL TO PROVIDE ARA POSTS
WITH ADDITIONAL BACKGROUND INFORMATION ON PROPOSED IN-
CREASE IN PANAMA CANAL TOLLS.

2. CANAL COMPANY HEARINGS: ON MARCH 5 THE PANAMA CANAL
COMPANY HELD PUBLIC HEARINGS IN WASHINGTON ON THE PRO-
POSED TOLL INCREASE. AT THE HEARINGS THE AMERICAN
INSTITUTE OF MARINE SHIPPING AND SEA-LAND SERVICE, INC.
BOTH MADE VERY STRONG REPRESENTATIONS TO THE PANAMA
CANAL COMPANY AGAINST AN INCREASE IN TOLLS AT THIS TIME.
THEY ARGUE THAT THE COMPANY'S CALCULATIONS JUSTIFYING
A TOLL INCREASE ARE ERRONEOUS ON TWO COUNTS: (1) THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 049678

PROJECTED REVENUES ARE GROSSLY UNDERESTIMATED AND (2)

THE PROPOSED COSTS ARE EXAGGERATED BECAUSE OF CHANGES IN COMPANY BOOKKEEPING.

3. THE AMERICAN INSTITUTE OF MARINE SHIPPING MADE A PROJECTED BUDGET OF ITS OWN ON THE BASIS OF THE CHANGES

IT SUGGESTED TO THE COMPANY SHOWING THAT RATHER THAN A DOLLAR 24 MILLION DEFICIT AS PROJECTED BY THE COMPANY FOR 1975, THERE WOULD BE A DOLLAR 3 MILLION SURPLUS.

4. SEA-LAND SERVICES RECOMMENDED THAT A TOLL INCREASE NOT BE PUT INTO EFFECT EXCEPT ON THE BASIS OF ACTUAL DEFICITS IN COMPANY OPERATIONS RATHER THAN ON THE BASIS OF PROJECTED DEFICITS BASED ON CHANGES IN BOOKKEEPING.

5. LATIN AMERICAN POSITION AT SCCN MEETING: OF ALL THE LATIN AMERICAN COUNTRIES USING THE CANAL, THOSE ALONG THE PACIFIC COAST HAVE THE HIGHEST PERCENTAGE OF THEIR SEA-BORNE COMMERCE TRANSITING THE CANAL. FOR EXAMPLE, 76 PERCENT OF NICARAGUA'S OCEAN-BORNE COMMERCE TRANSITS THE CANAL; EL SALVADOR, 66 PERCENT; PERU, 41 PERCENT. BY CONTRAST, THE FIGURE FOR THE U.S. IS 16 PERCENT.

6. AT THE REQUEST OF THE PERUVIAN GOVERNMENT, THE OAS SPECIAL COMMITTEE FOR CONSULTATION AND NEGOTIATION (SCCN) MET IN WASHINGTON FROM MARCH 4-6, 1974, TO CONSIDER THE POSSIBLE IMPACT OF THE PROPOSED INCREASE IN CANAL TOLLS, DURING THE DISCUSSION VARIOUS MEMBER COUNTRIES -- LED BY PERU -- ARGUED THAT AN INCREASE IN CANAL TOLLS WOULD ADVERSELY AFFECT IMPORTANT SECTORS OF THEIR ECONOMY, ADDING THAT IT WOULD ALSO BE INCONSISTENT WITH THE SPIRIT OF THE TLATELOLCO CONFERENCE. VARIOUS COUNTRIES POINTED OUT THAT THE U.S. HAS COMMITTED ITSELF IN INTERNATIONAL FORA TO SUPPORTING THE DEVELOPMENT OF THE LDC'S, THAT WE HAVE REAFFIRMED OUR INTENTION TO SEEK LEGISLATION AUTHORIZING A GENERAL SYSTEM OF PREFERENCES FOR COMMODITIES FROM DEVELOPING COUNTRIES, AND THAT AN INCREASE IN TOLLS OF THE PANAMA

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 049678

CANAL WOULD BE CONTRARY TO SUCH PRONOUNCEMENTS.

7. THE SCCN APPROVED A RESOLUTION WHICH CONCLUDED THAT AN INCREASE IN TOLLS WOULD ADVERSELY AFFECT "SOME IMPORTANT SECTORS" OF THE ECONOMIES OF DEVELOPING COUNTRIES IN LATIN AMERICA, ESPECIALLY THOSE WHICH BECAUSE OF THEIR GEOGRAPHIC POSITION ARE FREQUENT USERS OF THE CANAL. IT ALSO CONCLUDED THAT THE ADVERSE

IMPACT OF AN EVENTUAL INCREASE IN PANAMA CANAL TOLLS
ON THE FOREIGN TRADE OF CERTAIN LATIN AMERICAN COUNTRIES
WOULD CONTRADICT THE SPIRIT AND LETTER OF UN RESOLUTION
2626 OF THE 25TH UNGA.

8. THE COMMISSION RECOMMENDED: (A) THAT THE INTERESTED
MEMBER GOVERNMENTS SUBMIT TO THE U.S. GOVERNMENT DATA
AND ADDITIONAL VIEWS REGARDING THE IMPLICATIONS OF A
TOLL INCREASE FOR THEIR ECONOMIES AND (B) THAT THE U.S.
TAKE THIS INFORMATION AND THE COMMISSION'S CONCLUSIONS
INTO ACCOUNT IN REACHING ANY DECISION ON THE PROPOSAL
TO INCREASE CANAL TOLLS.

9. EXCEPT FOR PERU, NONE OF THE COUNTRIES AT THE SCCN
HAS THUS FAR DOCUMENTED THEIR CASE STATISTICALLY. EVEN
PERU'S CALCULATIONS AS TO THE POSSIBLE EFFECT OF THE TOLL
RAISE ON THEIR ECONOMY WERE LESS THAN CONVINCING. OBVIOUS-
LY THERE IS A NEED FOR A DETAILED STUDY OF THE PROBABLE
EFFECTS OF THE PROPOSED TOLL INCREASE ON THE ECONOMIES
AND KEY SECTORS OF VARIOUS LATIN AMERICAN COUNTRIES.

10. PANAMA'S POSITION: ALTHOUGH THE PERCENTAGE OF PANA-
MA'S SEA-BORNE COMMERCE THAT TRANSITS THE CANAL IS LARGE
ENOUGH (29 PERCENT) THAT A TOLL INCREASE WOULD ADVERSELY
AFFECT THE PANAMANIAN ECONOMY, PANAMANIAN OBJECTIONS TO
THE RATE RISE ARE PRIMARILY POLITICAL. FOREIGN MINISTER
TACK TOLD AMBASSADOR SAYRE THAT THE ANNOUNCEMENT OF A
PROPOSED TOLL RISE IN THE MIDST OF THE TREATY NEGOTIA-
TIONS WITHOUT CONSULTATION WITH THE PANAMANIAN GOVERN-
MENT WAS INCONSISTENT WITH THE PROFESSED U.S. DOCTRINE
OF A "NEW DIALOGUE" WITH LATIN AMERICA. IN ADDITION,
PANAMA HAS CONSISTENTLY CHARGED THE PANAMA CANAL COM-
PANY WITH KEEPING DOUBLE SETS OF BOOKS ON ITS PROFITS
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 049678

AND DISPUTES THE COMPANY'S CLAIM THAT ITS EXPENDITURES
ARE OUTPACING ITS TOLL REVENUES.

11. ON THE OTHER HAND, PANAMA PROBABLY ALSO BELIEVES
THAT IN THE LONG-RUN IT WILL BENEFIT FROM A TOLL INCREASE,
ESPECIALLY IF THE U.S. ANNUITY PAYMENT IS RELATED TO
CANAL REVENUES IN THE NEW TREATY.

12. BECAUSE OF THIS AMBIVALENCE, PANAMA DID NOT PARTICI-
PATE IN THE SCCN MEETING OR PRESENT A WRITTEN BRIEF
AT THE CANAL COMPANY HEARINGS ON MARCH 5. PANAMANIAN
AMBASSADOR TO THE U.S. INFORMED DEPARTMENT OFFICER THAT
PANAMA WOULD TAKE A NEUTRAL PUBLIC STANCE ON THE TOLL
INCREASE AND WILL RESIST EFFORTS TO MAKE IT A HEMISPHERIC
ISSUE. THE AMBASSADOR CLAIMED TO BE DISTRESSED BY PERU'S

INITIATIVE IN THE OAS.

13. U.S. POSITION: CANAL TOLL RATES HAVE BEEN THE SAME SINCE THE CANAL OPENED IN 1914. THEY HAVE BEEN APPLIED

ON A NON-DISCRIMINATORY BASIS TO ALL CANAL USERS. THE CANAL COMPANY AND THE BOARD OF DIRECTORS CLAIM THE TOLL INCREASE IS NECESSARY BECAUSE OF RISING OPERATING COSTS DUE PRINCIPALLY TO: (A) INCREASED PERSONNEL COSTS AND (B) A NEW DEPRECIATION FORMULA FOR CANAL COMPANY ASSETS. THEY FURTHER STATE THAT THE TOLL RISE RECOMMENDATION IS BASED ENTIRELY ON STANDARD BUSINESS PRACTICES AND HAS NOTHING TO DO WITH THE TREATY NEGOTIATIONS.

14. AS DEPARTMENT STILL DOES NOT HAVE A CLEAR IDEA ABOUT THE IMPACT THAT A TOLL INCREASE MIGHT HAVE ON THE ECONOMIES OF AFFECTED LATIN AMERICAN COUNTRIES, WE MUST AWAIT FURTHER INFORMATION FROM THESE COUNTRIES BEFORE FORMULATING A FINAL POSITION.

KISSINGER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTERNATIONAL CANALS, TOLLS, NEGOTIATIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 12 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE049678
Document Source: CORE
Document Unique ID: 00
Drafter: LA/PAN - MESSRS. MORRIS AND HOWARD:GFH
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740349/aaaabtzy.tel
Line Count: 190
Locator: TEXT ON-LINE
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 6173
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2002 by boyleja>; APPROVED <03 JAN 2003 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RECENT DEVELOPMENTS ON PROPOSED PANAMA CANAL TOLL INCREASE
TAGS: PFOR, ETRN, PN, PQ, US, PANAMA CANAL COMPANY
To: ALL POSTS USCINCSO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005